

FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
OF THE

DEPARTMENT OF ATTORNEY GENERAL

October 1, 1998 through September 30, 2000

EXECUTIVE DIGEST

DEPARTMENT OF ATTORNEY GENERAL

INTRODUCTION	This report contains the results of our financial audit*, including the provisions of the Single Audit* Act, of the Department of Attorney General for the period October 1, 1998 through September 30, 2000.
AUDIT PURPOSE	This financial audit of the Department was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> .
BACKGROUND	The principal duties of the Attorney General include acting as legal counsel to all State departments, agencies, boards, commissions, officers, and employees; representing the Legislature and the courts when they are sued; and intervening in any litigation when the public interest is involved. The Health Care Fraud Division is responsible for administering the federal program. Responsibilities related to federal grant reporting and the accounting function are performed by the Office of Fiscal Management. The Office of Human Resources is

* See glossary at end of report for definition.

responsible for the agency's personnel and payroll functions.

For fiscal year 1999-2000, the Department's expenditures totaled approximately \$47 million. As of September 30, 2000, the Department had 559 full-time equated employees within 44 divisions.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To audit the Department's financial schedules and to examine the supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the Department's financial schedules for the fiscal years ended September 30, 2000 and September 30, 1999.

Conclusion: We expressed an unqualified opinion* on the Department's financial schedules. In addition, we expressed an unqualified opinion on the Department's supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules taken as a whole.

Audit Objective: To assess and report on the Department's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control* over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control

* See glossary at end of report for definition.

over financial reporting did not disclose any material weaknesses*.

In addition, our assessment indicated that the Department was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

Audit Objective: To assess and report on the Department's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with OMB Circular A-133.

Conclusion: We issued an unqualified opinion on the Department's compliance with requirements applicable to the Department's major federal program. Also, our assessment of internal control over compliance applicable to the Department's major federal program did not disclose any material weaknesses.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of Attorney General for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

* See glossary at end of report for definition.

PRIOR AUDIT
FOLLOW-UP

There were no findings or recommendations in the prior Department of Attorney General Single Audit report.

June 27, 2001

The Honorable Jennifer M. Granholm
Attorney General
G. Mennen Williams Building
Lansing, Michigan

Dear Ms. Granholm:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Department of Attorney General for the period October 1, 1998 through September 30, 2000.

This report contains our executive digest; description of agency; audit objectives and conclusions, audit scope, and prior audit follow-up; schedule of findings and questioned costs; and independent auditor's reports on the financial schedules, on compliance and on internal control over financial reporting, and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133. This report also contains the Department of Attorney General's financial schedules, notes to the financial schedules, supplemental financial schedules, and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Agency

The director of the Department of Attorney General is the State's elected Attorney General as provided for in Article V, Sections 3 and 21 of the State Constitution. General statutory provisions relating to the Department are contained in Sections 14.28 - 14.287 of the *Michigan Compiled Laws*. The principal duties of the Attorney General include:

- a. Serving as the State's chief legal officer and acting as legal counsel to all State departments, agencies, boards, commissions, officers, and employees. The Attorney General represents these entities and individuals when they are sued and brings suit on their behalf. The Attorney General also provides legal advice, by way of both formal and letter opinions.
- b. Representing the Legislature and the courts when they are sued and periodically, at the Supreme Court's request, presenting arguments on both sides of important issues.
- c. Intervening in any litigation when the public interest is involved, supervising the work of prosecuting attorneys and advising them in matters pertaining to their duties, and collecting all delinquent money and accounts which are due the State as authorized by law.

The Department receives a federal grant (Medicaid Fraud Control) from the U.S. Department of Health and Human Services. This grant is used to investigate and prosecute alleged fraud involving Medicaid funds paid by the Department of Community Health to service providers. The grant also is used to investigate and prosecute cases of possible patient abuse.

The Department's revenue includes other federal funds; recovery of funds owed to the State; and court awards from litigation on behalf of State agencies against individuals or corporations, as well as class action suits against private entities. The Health Care Fraud Division is responsible for administering the federal program. Responsibilities related to federal grant reporting and the accounting function are performed by the Office of Fiscal Management. The Office of Human Resources is responsible for the agency's personnel and payroll functions.

Department expenditures are paid from State General Fund appropriations, transfers from various restricted funds, and federal funds. For fiscal year 1999-2000, the Department's expenditures totaled approximately \$47 million. As of September 30, 2000, the Department had 559 full-time equated employees within 44 divisions.

Audit Objectives and Conclusions, Audit Scope,
and Prior Audit Follow-Up

Audit Objectives and Conclusions

Our financial audit, including the provisions of the Single Audit Act, of the Department of Attorney General had the following objectives:

1. To audit the Department's financial schedules and to examine the supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the Department's financial schedules for the fiscal years ended September 30, 2000 and September 30, 1999.

We expressed an unqualified opinion on the Department's financial schedules. In addition, we expressed an unqualified opinion on the Department's supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules taken as a whole.

2. To assess and report on the Department's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control over financial reporting, based on our audit of the financial schedules.

Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses.

In addition, our assessment indicated that the Department was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

3. To assess and report on the Department's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

We issued an unqualified opinion on the Department's compliance with requirements applicable to the Department's major federal program. Also, our assessment of internal control over compliance applicable to the Department's major federal program did not disclose any material weaknesses.

Audit Scope

Our audit scope was to examine the financial and other records of the Department of Attorney General for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We considered the Department's internal control over compliance applicable to each major federal program and assessed the Department's compliance with federal laws and regulations in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in addition to auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Department's major federal program is identified in Section I of the schedule of findings and questioned costs*.

Prior Audit Follow-Up

There were no findings or recommendations in the prior Department of Attorney General Single Audit report.

* See glossary at end of report for definition.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Schedules

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions* identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial schedules?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.775	State Medicaid Fraud Control Units

* See glossary at end of report for definition.

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee*? No

Section II: Findings Related to the Financial Schedules

We did not report any findings related to the financial schedules.

Section III: Findings and Questioned Costs Related to Federal Awards

We did not report any findings related to federal awards.

* See glossary at end of report for definition.

Independent Auditor's Report on
the Financial Schedules

March 12, 2001

The Honorable Jennifer M. Granholm
Attorney General
G. Mennen Williams Building
Lansing, Michigan

Dear Ms. Granholm:

We have audited the accompanying schedule of General Fund revenue and operating transfers and the schedule of sources and disposition of General Fund authorizations of the Department of Attorney General for the fiscal years ended September 30, 2000 and September 30, 1999. These financial schedules are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial schedules based on our audit. The financial transactions of the Department are accounted for principally in the General Fund of the State of Michigan.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the accompanying financial schedules include only the revenue and operating transfers and the sources and disposition of authorizations for the Department of Attorney General's General Fund accounts, presented on the modified accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the Department or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenue and operating transfers and the sources and disposition of authorizations of the Department of Attorney General for the fiscal years ended September 30, 2000 and September 30, 1999, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2001 on our tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial schedules, consisting of the schedule of certain General Fund assets and liabilities and the schedule of disposition of General Fund authorizations by fund source, are presented for purposes of additional analysis and are not a required part of the Department's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on Compliance and
on Internal Control Over Financial Reporting

March 12, 2001

The Honorable Jennifer M. Granholm
Attorney General
G. Mennen Williams Building
Lansing, Michigan

Dear Ms. Granholm:

We have audited the General Fund financial schedules of the Department of Attorney General for the fiscal years ended September 30, 2000 and September 30, 1999 and have issued our report thereon dated March 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused

by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State's management, the Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

March 12, 2001

The Honorable Jennifer M. Granholm
Attorney General
G. Mennen Williams Building
Lansing, Michigan

Dear Ms. Granholm:

Compliance

We have audited the compliance of the Department of Attorney General with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999. The Department's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department of Attorney General complied, in all material respects, with the requirements referred to in the second previous paragraph that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State's management, the Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

~~DEPARTMENT OF ATTORNEY GENERAL~~
Schedule of General Fund Revenue and Operating Transfers
Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
REVENUE		
Federal revenue	\$ 4,682,889	\$ 3,386,555
Services	1,156,216	957,022
Licenses and permits	1,576,185	1,468,777
Miscellaneous revenue	<u>2,358,675</u>	<u>6,036,161</u>
Total Revenue	<u>\$ 9,773,966</u>	<u>\$ 11,848,515</u>
OPERATING TRANSFERS		
From other funds for services provided	\$ 4,826,663	\$ 4,944,197
From component units	<u>78,170</u>	<u>51,594</u>
Total Operating Transfers	<u>\$ 4,904,833</u>	<u>\$ 4,995,791</u>
Total Revenue and Operating Transfers	<u><u>\$ 14,678,799</u></u>	<u><u>\$ 16,844,306</u></u>

The accompanying notes are an integral part of the financial schedules.

DEPARTMENT OF ATTORNEY GENERAL
Schedule of Sources and Disposition of General Fund Authorizations
Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
SOURCES OF AUTHORIZATIONS		
General purpose appropriations	\$ 32,078,800	\$ 33,187,200
Balances carried forward	3,250,536	433,158
Restricted financing sources	18,404,597	17,225,934
Less: Intrafund expenditure reimbursements	<u>(6,237,802)</u>	<u>(5,412,973)</u>
Total	<u>\$ 47,496,131</u>	<u>\$ 45,433,318</u>
 DISPOSITION OF AUTHORIZATIONS		
Expenditures	\$ 52,772,331	\$ 47,352,532
Less: Intrafund expenditure reimbursements	<u>(6,237,802)</u>	<u>(5,412,973)</u>
Net expenditures	<u>\$ 46,534,529</u>	<u>\$ 41,939,559</u>
Balances carried forward:		
Multi-year projects	\$ 278,168	\$ 1,671,842
Encumbrances	191,017	1,220,720
Restricted revenue - not authorized	<u>279,593</u>	<u>357,975</u>
Total balances carried forward	<u>\$ 748,778</u>	<u>\$ 3,250,536</u>
Balances lapsed	<u>\$ 212,824</u>	<u>\$ 243,223</u>
 Total	 <u>\$ 47,496,131</u>	 <u>\$ 45,433,318</u>

The accompanying notes are an integral part of the financial schedules.

Notes to the Financial Schedules

Note 1 Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Department of Attorney General for the fiscal years ended September 30, 2000 and September 30, 1999. The financial transactions of the Department are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to the Department. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies, Budgeting and Budgetary Control, Pension Benefits and Other Postemployment Benefits, and Compensated Absences.

b. Basis of Accounting and Presentation

The financial schedules contained in this report are prepared on the modified accrual basis of accounting, as provided by accounting principles generally accepted in the United States of America for governmental funds. The modified accrual basis of accounting, which emphasizes the measurement of current financial resource flows, is explained in more detail in the *SOMCAFR*.

The accompanying financial schedules include only the revenue and operating transfers and the sources and disposition of authorizations for the Department of Attorney General's General Fund accounts. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the Department or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

Note 2 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenue.
- b. Restricted financing sources: Collections of restricted revenue, restricted operating transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year.
- c. Multi-year projects: Unexpended authorizations for work projects and capital outlay projects that are carried forward to subsequent fiscal years for the completion of the projects. The Department of Attorney General's multi-year projects include technology enhancements and the establishment of a money laundering unit in southeast Michigan.
- d. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered in the old fiscal year but not received by fiscal year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.
- e. Restricted revenue - not authorized: Revenue that, by statute, is restricted for use to a particular program or activity. However, the expenditure of the restricted revenue is subject to annual legislative appropriation.
- f. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year.

SUPPLEMENTAL FINANCIAL SCHEDULES

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DEPARTMENT OF ATTORNEY GENERAL
Schedule of Certain General Fund Assets and Liabilities
As of September 30

	<u>2000</u>	<u>1999</u>
ASSETS		
Accounts Receivable:		
From federal agencies	\$ 3,264	\$ 153,156
From component units	<u>78,171</u>	<u>51,594</u>
Total Accounts Receivable	\$ 81,435	\$ 204,750
Other Assets	\$ 510,707	\$ 480,894
LIABILITIES		
Accounts payable and other liabilities	\$ 798,213	\$ 1,008,954

This schedule of certain General Fund assets and liabilities is not representative of a balance sheet and is not intended to report financial condition. This schedule presents certain significant General Fund assets and liabilities that result directly from the operations of, and are the responsibility of, the Department of Attorney General. The schedule excludes certain other assets, such as land, buildings, equipment, equity in Common Cash, and cash in transit, and certain other liabilities, such as warrants outstanding, that are accounted for centrally by the State.

DEPARTMENT OF ATTORNEY GENERAL
Schedule of Disposition of General Fund Authorizations by Fund Source
Fiscal Years Ended September 30

	2000			
	Total Sources	Expenditures	Balances Carried Forward	Balances Lapsed
Attorney General:				
State General Fund/general purpose	\$ 124,900	\$ 124,900	\$	\$
Unclassified Positions:				
State General Fund/general purpose	340,800	340,073		727
Attorney General Operations:				
State General Fund/general purpose	30,483,600	30,137,841	172,602	173,157
State General Fund/general purpose - Appropriation Year 1998-99	2,800,168	2,469,372	291,856	38,940
State General Fund/general purpose - Appropriation Year 1997-98	648	648		
Interdepartmental Grant Revenues:				
CIS - Health services	961,459	961,459		
CIS - Health services - Appropriation Year 1998-99	204	204		
CIS - Liquor Purchase Revolving Fund	805,400	805,400		
DNR - Game and Fish Protection Fund	488,999	488,999		
MDOT - Comprehensive Transportation Fund				
MDOT - Michigan Transportation Fund	1,584,908	1,584,908		
MDOT - State Aeronautics Fund	68,654	68,654		
MDOT - State Trunkline Fund				
Michigan Gaming Control Board	610,677	610,677		
Federal Revenues:				
DAG, State administrative match grant/food stamps	648,886	648,886		
DAG, State administrative match grant/food stamps - Appropriation Year 1997-99	2,150		2,150	
DOL-ETA, Unemployment insurance	1,128,439	1,128,439		
Federal Funds				
Federal Funds - Appropriation Year 1998-99	337,342	212,519	124,823	
HHS-OS, State Medicaid fraud control units	2,884,121	2,884,121		
HHS-OS, State Medicaid fraud control units - Appropriation Year 1998-99	3,543	3,543		
HHS, Medical assistance, medigant	299,071	299,071		
Special revenues:				
Accident Fund Company revenue	982,658	982,658		
Antitrust enforcement collections	208,479	208,479		
Antitrust enforcement collections - Appropriation Year 1998-99	271	271		
Auto repair facilities fees	139,356	139,356		
Corporate fees	54,255	54,255		
Franchise fees	149,431	149,431		
Michigan State Housing Development Authority fees	249,786	249,786		
Michigan Underground Storage Tank Financial Assurance Fund	77,731	77,731		
Mobile Home Commission fees	112,475	112,475		
Prisoner reimbursement	145,547	145,547		
Securities fees	54,255	54,255		

This schedule continued on next page.

1999			
Total Sources	Expenditures	Balances Carried Forward	Balances Lapsed
\$ 124,900	\$ 122,416	\$	\$ 2,484
263,000	258,979		4,021
31,758,100	28,759,494	2,800,168	198,438
192,215	170,317	648	21,250
867,900	867,696	204	
774,600	774,600		
487,974	487,974		
81,678	81,678		
66,298	66,298		
1,616,484	1,616,484		
513,575	513,575		
479,954	479,954		
26,840	24,690	2,150	
981,129	981,129		
540,171	202,829	337,342	
2,356,788	2,353,050	3,738	
293,874	293,874		
830,447	830,447		
421,084	420,813	271	
139,924	139,924		
48,046	48,046		
175,430	175,430		
175,330	175,330		
57,387	57,387		
103,890	103,890		
209,738	209,738		
48,046	48,046		

DEPARTMENT OF ATTORNEY GENERAL
Schedule of Disposition of General Fund Authorizations by Fund Source
Fiscal Years Ended September 30
Continued

	2000			
	Total		Balances	
	Sources	Expenditures	Carried Forward	Balances Lapsed
State restricted contingency fund - Appropriation Year 1995-96	\$ 13,596	\$	\$ 13,596	\$
Utility Consumer Representation Fund				
Michigan State Waterways Fund	61,854	61,854		
Technology Enhancements:				
State General Fund/general purpose - Appropriation Year 1997-98	88,173	88,173		
Prosecuting Attorneys Coordinating Council (PACC):				
State General Fund/general purpose	1,129,500	1,124,773	4,727	
State General Fund/general purpose - Appropriation Year 1998-99	3,573	3,573		
DAG, State administrative match grant/food stamps				
Prosecuting attorneys training fees	212,417	212,417		
PACC - Training Project:				
MSP - Michigan Justice Training Fund	<u>238,132</u>	<u>238,132</u>		
Total Reported by the Department of Attorney General	<u>\$ 47,495,458</u>	<u>\$ 46,672,880</u>	<u>\$ 609,754</u>	<u>\$ 212,824</u>
Attorney General Expenditures Reported by Other Agencies:				
Family Independence Agency	\$ 2,045,668	\$ 1,906,644	\$ 139,024	\$
EPA, Multiple grants	306,804	306,804		
Michigan State Hospital Finance Authority	157,898	157,898		
State Lottery Fund	150,351	150,351		
Oil and gas privilege fee revenue	104,253	104,253		
DOL - OSHA, Occupational safety and health	79,476	79,476		
CIS - Public utility assessments	1,294,388	1,294,388		
Retirement funds	420,731	420,731		
Second Injury Fund	391,092	391,092		
Self Insurers' Security Fund	65,370	65,370		
Silicosis, Dust Disease, and Logging Industry Compensation Fund	194,979	194,979		
DED - OPSE, Student loan, federal lender allowance	185,677	185,677		
Workers' compensation administrative revolving fund	7,612	7,612		
CIS - Financial and Insurance Services	52,083	52,083		
Collections Revenue	270,677	270,677		
Federal funds (Operations)	295,281	295,281		
Federal funds (Operations) - Appropriation Year 1998-99	122,092	122,092		
Federal funds (Operations) - Appropriation Year 1997-98				
Federal funds (PACC)	94,045	94,045		
MSP - Michigan Justice Training Fund				
Total Reported by Other Agencies	<u>\$ 6,238,477</u>	<u>\$ 6,099,453</u>	<u>\$ 139,024</u>	<u>\$ 0</u>
Total Reported	<u>\$ 53,733,934</u>	<u>\$ 52,772,331</u>	<u>\$ 748,778</u>	<u>\$ 212,824</u>

1999			
Total		Balances	
Sources	Expenditures	Carried Forward	Balances Lapsed
\$ 13,596	\$	\$ 13,596	\$
302,945	302,945		
62,127	62,127		
200,309	98,656	88,173	13,480
1,041,200	1,034,077	3,573	3,551
178,143	178,143		
<u>\$ 45,433,121</u>	<u>\$ 41,940,036</u>	<u>\$ 3,249,863</u>	<u>\$ 243,224</u>
\$ 1,621,700	\$ 1,621,700	\$	\$
68,880	68,880		
160,264	160,264		
146,528	146,528		
101,164	101,164		
84,949	84,949		
1,249,228	1,249,228		
375,166	375,166		
424,612	424,612		
70,964	70,964		
211,740	211,740		
221,720	221,720		
10,984	10,984		
29,239	29,239		
313,951	313,278	674	
197	197		
98,550	98,550		
<u>223,336</u>	<u>223,336</u>		
<u>\$ 5,413,170</u>	<u>\$ 5,412,497</u>	<u>\$ 674</u>	<u>\$ 0</u>
<u>\$ 50,846,292</u>	<u>\$ 47,352,532</u>	<u>\$ 3,250,536</u>	<u>\$ 243,223</u>

DEPARTMENT OF ATTORNEY GENERAL
Schedule of Expenditures of Federal Awards(1)
For the Period October 1, 1998 through September 30, 2000

<u>For the Fiscal Year Ended September 30, 1999</u>				
<u>Federal Agency/Program</u>	<u>CFDA(2) Number</u>	<u>Directly Expended</u>	<u>Distributed to Subrecipient</u>	<u>Total Expended and Distributed</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Program:				
State Medicaid Fraud Control Units	93.775	\$ 2,583,000	\$ 0	\$ 2,583,000
Total Expenditures of Federal Awards		<u>\$ 2,583,000</u>	<u>\$ 0</u>	<u>\$ 2,583,000</u>

(1) Basis of Presentation: This schedule includes the federal grant activity of the Department of Attorney General and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules.

The Department received additional federal revenue from other State agencies for legal services totaling \$803,555 and \$2,014,791 in fiscal years 1998-99 and 1999-2000, respectively. These amounts are not considered federal assistance, but rather as reimbursement from State agencies for the purchase of services provided by the Department of Attorney General.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

<u>For the Fiscal Year Ended September 30, 2000</u>			
<u>Directly Expended</u>	<u>Distributed to Subrecipient</u>	<u>Total Expended and Distributed</u>	<u>Total Expended and Distributed for the Two-Year Period</u>
<u>\$ 2,668,108</u>	<u>\$ 0</u>	<u>\$ 2,668,108</u>	<u>\$ 5,251,108</u>
<u><u>\$ 2,668,108</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,668,108</u></u>	<u><u>\$ 5,251,108</u></u>

Glossary of Acronyms and Terms

CFDA	<i>Catalog of Federal Domestic Assistance.</i>
CIS	Department of Consumer and Industry Services.
DAG	U.S. Department of Agriculture.
DED-OPSE	U.S. Department of Education - Office of Post Secondary Education.
DNR	Department of Natural Resources.
DOL - ETA	U.S. Department of Labor - Employment and Training Administration.
DOL-OSHA	U.S. Department of Labor - Occupational Safety and Health Administration.
EPA	U.S. Environmental Protection Agency.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
HHS	U.S. Department of Health and Human Services.
HHS-OS	U.S. Department of Health and Human Services - Office of the Secretary.
internal control	A process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) reliability of financial reporting,

- (2) effectiveness and efficiency of operations, and
- (3) compliance with applicable laws and regulations.

low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the results of operations or cash flows in conformity with the disclosed basis of accounting.
material noncompliance	Violations of laws and regulations that could have a direct and material effect on major federal programs or on financial schedule and/or statement amounts.
material weaknesses	A reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that either misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements being audited or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
MDOT	Michigan Department of Transportation.
MSP	Michigan Department of State Police.
OMB	U.S. Office of Management and Budget.

PACC	Prosecuting Attorneys Coordinating Council.
questioned cost	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
reportable condition	A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to (1) record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.
Single Audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>

unqualified opinion

An auditor's opinion in which the auditor states, without reservation, that the financial schedules and/or financial statements are fairly presented in conformity with the disclosed basis of accounting or are fairly presented in relation to the primary financial schedules and/or statements or an auditor's opinion in which the auditor states, without reservation, that the audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.